



Back to School

A round up of regulatory developments in financial services over the summer...

...and a look ahead to the rest of the year

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Foreword

A post-election break for EU co-legislators, but no summer holiday for UK regulators

This document summarises developments in FS regulation over the summer months (from July 4 to August 30), looks back at how the predictions we made in our 2024 Regulatory Outlook have fared, and looks ahead to what we can expect for the rest of 2024.

What has happened this summer?

A rapid start by the new UK Labour government with a set of quick “pro-growth” announcements such as the creation of a UK National Wealth Fund and Great British Energy. UK regulators were also active, especially in relation to UK insurers and investment banks. In the EU, the process of constituting the new Commission and Parliament continued, adding to the usual lull over August.

Any unexpected event that stood out?

The 19 July *CrowdStrike* incident, where a faulty update to a security software made Windows computers temporarily unusable. Many firms were affected, although FS came through the incident relatively well compared to other industries. Following the event, FS regulators emphasised the central role of their operational resilience frameworks. With only months to go before their application in the EU (DORA) and UK, this was a timely reminder for firms to review their third-party risk management capabilities and scenario planning.

How are the Regulatory Outlook 2024 predictions looking so far?

Our predictions were generally in the right ballpark. We were largely right about the growing supervisory focus on liquidity risk and UK retirement outcomes, and the very active enforcement of the Consumer Duty by the FCA. But we didn't foresee the EU Commission exercising its option to delay the FRTB implementation for banks or the election-induced delay in the publication of the PRA's final Basel 3.1 rules.

What are some key issues to consider for UK FS firms looking ahead?

The upcoming Mansion House speech will set the direction of travel for UK FS policy and provide more clarity for firms on how the new Chancellor's priorities compare to the previous government. More details about the National Wealth Fund and Great British Energy will be also be provided at the Investment

Summit in October to help investors understand how and when opportunities offered by these initiatives will materialise. The FCA is also processing and benchmarking the information provided by firms in their Consumer Duty Board reports. We expect it to use these findings to take quick and assertive follow-up action. Finally, UK regulators' embedding of their secondary competitiveness objective is a priority for the government, and the shape of the PSR's upcoming (and hotly debated) rules on reimbursement of APP fraud could set an important precedent.

What about the policy programme in the EU?

We expect the Hungarian Presidency to be relatively quiet on the FS policy side, whilst EU supervisors will be very busy producing technical standards for the AIFMD, Solvency II and CRD/CRR reviews. Looking ahead, the recent closing of “core” FS policy files may allow the co-legislators to use some bandwidth to discuss the future of the CMU in light of the reports published or expected on the topic.

In a few words, are there any global regulatory trends worth noting?

The EU remains a leader in early standard-setting as proven by the AI Act, and the upcoming FIDA, but can face political challenges in reaching quick consensus (e.g., as with the CMDI, EDIS, CMU). Meanwhile, the one-year wrap-up of Solvency UK is a clear example of the UK's increased flexibility to reform quickly and in line with its policy agenda. The PRA will publish its near-final rules on Basel 3.1 on 12 September, which will clarify the final implementation date, after press speculation of further delay. The US approach and implementation timeline for Basel endgame remains up in the air.

Are there issues that could take firms by surprise?

Firms should keep an eye on the progress of the UK and EU approaches to AI regulation, with more policy work expected from both. Issues of regulatory data availability, quality and risk management will also increase in importance across the board with the BCBS raising concerns about banks' reporting data quality, CSRD compliance requiring significant work on metrics, and the FCA becoming increasingly data-led.



Suchitra Nair
Head of ECRS



















David Strachan
ECRS Advisor

A very political summer: focus on the UK

Large majority, rapid announcements



After its landslide victory on 5 July, the Labour Government has taken office and quickly made a series of FS-related announcements. Most of these support Labour's flagship [commitment](#) to make the UK the fastest-growing G7 economy whilst progressing the green transition agenda by leveraging long-term capital. We also expect the Government to prioritise the delivery of regulations fostering investment in UK sustainable assets and enhancing consumer protection.













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|  A pro-business Labour? |  Labour gave careful consideration to FS during the election campaign by publishing an FS-specific workplan based on industry inputs. |  Firms will be scrutinising the Chancellor's and City Minister's forthcoming announcements, especially the Mansion House speech this Autumn and the 30 October Budget . |
|  What has been announced so far? |  A National Wealth Fund, Pension Review and Great British Energy , all aligned with Labour's growth ambition, though more details are expected (and needed).  A Digital Information and Smart Data Bill , expected to lay the groundwork for expanding Open Banking into Open Finance, give Digital IDs full legal status, and reform data protection rules to support data-driven innovation. |  The Chancellor's willingness to make sure FS regulators take their secondary growth and competitiveness objective seriously (e.g., on APP fraud).  An FCA Call for Input to start delivering on the Government's request to review its Handbook , to align it better with the Consumer Duty principles. |
|  Watch these spaces. |  The Government will seek to introduce targeted AI legislation to regulate providers of the most powerful AI models , but it did not commit to a specific timeline.  Work by the previous Government on ESG rating regulation (see this slide) will be carried over , whilst other workstreams aligned with Labour's priorities might be restarted and/or accelerated (e.g., on D&I). |  Labour's commitment to regulate the BNPL sector leads us to expect secondary legislation on it shortly.  The details of the Pension Bill and Review will be unveiled in H2. The review will first focus on boosting investment in UK assets and then look to improve "retirement adequacy". |
|  UK-EU: the great reset? |  The Prime Minister intends to "reset" the UK/EU relationship on investment and trade. The Chancellor also vowed to work on EU/UK Mutual Recognition Agreements. |  Material EU/UK financial integration agreements may not occur quickly, but firms should keep an eye on any diplomatic signals that may affect their workforce footprint or legal entity structure in the medium term. |

A very political summer: focus on the EU






More of the same?



The EU elections in early June led to the expected outcome, but raised several questions about the upcoming policy agenda

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|  The post-elections landscape <small>This Photo by Unknown Author is licensed under CC BY-SA</small> |  A similar combination to the last term involving EPP, S&D and Renew. is likely to be formed in Parliament. |  U. Van der Leyen and R. Metsola are confirmed in their role of EU Commission and EU Parliament President. |  Right-wing parties have gained ground; with “Patriots for Europe” now the third largest EP group. |
|  New priorities for this term? <small>This Photo by Unknown Author is licensed under CC BY-SA</small> |  The new <u>political</u> guidelines remain aligned with the previous term, including commitments on Green Deal delivery, competitiveness and EU defence. |  A stronger focus on implementation and rule simplification – e.g., Commissioners are mandated to simplify implementation and report to a VP tasked with EU rulebook stress-testing. |  A new EU Competitiveness Fund will invest in strategic technologies including by leveraging and de-risking private investment. |
|  This semester's policy agenda <small>This Photo by Unknown Author is licensed under CC BY-SA</small> |  Hungary's Council Presidency is expected to be relatively quiet regarding FS policy in H2- 24. |  The main files which are expected to progress in the Council are the PSD3 and FiDA negotiations. |  The RIS and CMDI trilogues will likely start. Complex discussions are expected on the former, which is not expected to close before 2025. |

Progressing the CMU and the Saving and Investment Union : The road not taken?

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|  CMU progress has been slow , whilst private capital is highly needed to fund the green and digital transitions.  Recent expert reports, and a <u>push</u> from some Member States, have helped to revive political interest in the CMU – allowing the Presidency to put it on its agenda. |  First, the Letta report suggested the creation of an SIU to complete the CMU, with the proposed introduction of an EU retail investment product.  The SIU was picked up in the EU political guidelines alongside the CMU. This might signal a will for quick progress on retail investment to build broader CMU momentum. Whether and how the SIU progresses remains to be seen. |  The Noyer Report also backs the SIU , and suggests reviewing the securitisation framework and greater integration of market supervision.  Progress on the CMU is possible, but will likely be very gradual given the <u>pushback</u> from some states and the weakened position of its main advocates (FR & DE) post EU-elections. |
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Looking ahead: a view across all sectors

Piecing together the regulatory jigsaw

Implementation of major regulatory initiatives

Firms will now switch to **"implementation mode"** to deliver compliance with "core" regulatory files. In the UK, implementation efforts for the rest of 2024 will focus on Basel 3.1 and Solvency UK. In the EU, this will encompass the Banking Package, AIFMD and the Solvency II review.



Progress in the sustainable finance agenda

Corporate sustainability disclosures remain the immediate priority for firms. Regulators and standard setters are working to add clarifications to requirements to ease the burden of implementation, although fundamentally the reporting standards are not being amended.

On **risk management**, **capital** and **transition planning**, firms need to continue to develop their capabilities, keeping track of the ongoing evolution of expectations from supervisors.



Spotlight : FCA Call for input on a review of its requirements



- The **FCA** has issued an important [Call for Input](#) that has the potential to result in numerous changes to existing requirements.
- It seeks views on how the **principles-based approach** of the Duty can efficiently **coexist** with **detailed and prescriptive** Handbook rules.
- The FCA is not considering any changes to the Duty at this stage. Firms are encouraged to share their input by 31 October.

Retail conduct regulation: asymmetric developments

In the UK, the FCA is analysing firms' first **Consumer Duty** Board reports. We expect it to take follow-up action and to keep actively enforcing the Duty, with a focus on price and value, and the effectiveness of outcomes monitoring. We understand the FCA is requiring many firms to review their data frameworks and outcomes monitoring under the Duty.

In the EU, the **RIS negotiations** will be closely tracked by firms, whilst EU supervisors are slowly increasing their focus on consumer protection.



Increasing focus on financial system interconnectedness

Supervisors remain focused on **credit, liquidity, and counterparty credit risk** in relation to NBFI exposures, especially PE firms. The results of the 2024 **UK System Wide Stress test** may lead to policy action in 2025, maybe the findings from the European Commission's **consultation** on the adequacy of macroprudential measures for NBFI.



AI Regulation: more to come

In the UK, the Government is expected to consider **AI-specific regulation** for the providers of highly powerful AI models.

Some requirements of the **EU AI Act** will enter into force in early 2025 alongside guidance from FS supervisors around the application of its principles.





Regulatory activity
intensity over the
summer

UPDATED REGULATORY OUTLOOK

Expected regulatory-driven activity for the sector in H2 2024



MAJOR REGULATORY ACTIVITY DURING THE SUMMER BREAK

EBA 2025 European Supervisory Examination [Programme](#) (14 July)

European supervisors will increase focus on geopolitical risk in 2025, specifically on banks' stress testing and contingency planning, and integration of geopolitical risk into the ICAAP/ILAAP and risk management cycle. With DORA applying from January 2025, supervisors will also focus on firms' plans and actions to ensure effective and prudent management of IT risks and review their digital operational resilience testing programmes. Finally, supervisors will assess banks' information systems, risk data aggregation and capital planning given CRD6/CRR3 comes into force 1 January 2025.

BoE resolvability [assessment](#) of major UK banks (6 August)

The BoE's second resolvability assessment found that major firms could enter resolution safely, remaining open and providing vital banking services (an improvement on the 2022 exercise). Thematic findings focused on the quality of documentation and data used for decision-making, enhancing valuation and funding modelling, and increasing end-to-end capability testing.

The next resolvability assessment will focus on continuity and restructuring outcomes, particularly restructuring planning and operational continuity in resolution. The PRA will consult on postponing the next resolvability assessment from 2025-26 to 2026-27. The Bank [Resolution Bill](#) announced in the King's speech will need to be incorporated into banks' recovery and resolution plans once it is enacted.

EU Commission [Delegated Act](#) delaying FRTB implementation (24 July). Please refer to the [Capital Markets](#) slide.

FCA [update](#) on motor finance work (30 July)

The FCA announced that it will not be able to complete the "next steps" rules on the motor finance review by 24 September 2024. The FCA is proposing to:

- extend the pause on the 8-week complaints handling requirement to 4 December 2025; and
- extend the timeframe for consumers to decide on referring their complaints to the FOS until 29 July 2026 or within 15 months of receiving a "final response" to their complaint.

FCA [PS24/8](#) on access to cash (24 July)

While the FCA made some changes to the final policy statement, much of the PS remains as originally consulted upon. Changes include amendments to the rules around ATM closures; changes to the rules regarding keeping facilities open while assessments are undertaken; and amendments to the minimum period of time services must be maintained.

The new rules come into force on 18 September 2024.

ECB supervisory publications on [risk culture and governance](#), [digitalisation](#), [provisioning for novel risks](#), and [cyber resilience](#) (24 July)

An overarching theme across the ECB's supervisory publications over the summer was banks' resilience to the evolving risk environment. The publications on risk culture and governance and digitalisation set out good practices and principles against which banks will be assessed in the SREP, while the review of novel risks in IFRS9 and the results of the cyber stress test will shape supervisory follow-up actions for banks and feed into the SREP process this year.

Regulatory uncertainty has increased

- Elevated public sensitivity (particularly in the US) and policymakers' level playing field concerns cast a lengthening shadow on end-state "final Basel 3" implementation.
- Delays to the PRA's Basel 3.1 framework and the EU's deferral of FRTB intensify planning uncertainties – extending system life spans, parallel runs and late-stage policy adjustments are likely to increase change programme costs.
- While **Basel 3.1/CRR3** programmes are generally on track for day-1 compliance, longer-term balance sheet structure and business model impact is the emerging area of focus and action for leading banks.

Risk culture and governance under the spotlight

- Supervisory authorities continue to emphasise the need for banks to deliver (and evidence) better outcomes across the 3 LoD. The ECB's proposed updated guidance on **risk culture and governance**, and increasing appetite for enforcement (including levying periodic penalty payments), could set a trend for other authorities.

Consumer Duty: the start of a long road...

- July's **board report** deadline was ambitious, and banks' achievements could undershoot supervisory expectations.
- Progress on data/metrics, and in translating **large quantities of data** into meaningful management information, remain significant (and ongoing) challenges.
- While the FCA scrutinises reports, banks should maintain focus on products/services with potential to cause the greatest harm and prioritise closing any self-identified gaps.

Capital markets

The trading at Platform 9 has been delayed...



Regulatory activity
intensity over the
summer

MAJOR REGULATORY ACTIVITY DURING THE SUMMER BREAK

EU Commission [Delegated Act](#) delaying FRTB implementation to 1 January 2026 (24 July).

The Commission intends to delay full FRTB implementation until January 2026. CRR2 market risk requirements will continue to apply, but IMA firms must use new FRTB SA and CRR2 IMA when calculating the output floor. The Commission is working with the EBA to clarify technical/operational challenges and has not ruled out further FRTB delays.

EBA “no action” [letter](#) (12 August)

The EBA published an opinion that NCAs should not enforce CRR3 changes to the trading/banking book boundary until the FRTB comes into force in the EU.

FCA [update](#) to UK wholesale markets rules (26 July)

- [CP24/12](#) on POATRs proposes rules for companies seeking to admit securities to a UK regulated market or “primary” MTF, aimed at reducing the cost of listing on UK markets.
- [CP24/13](#) on the new public offer platform regime to facilitate companies making public offers of securities to investors outside public markets when raising more than £5m.
- [CP24/14](#) on the derivatives trading obligation to improve the UK regulation of secondary markets, reduce systemic risk and avoid disruption in OTC derivatives markets.
- [PS24/9](#) on payment optionality for investment research giving asset managers greater freedom in how they pay for investment research, by allowing the “bundling” of payments for research and trade execution. The regime can be applied from 1 August 2024.

FCA [PS24/6](#) on final UK Listing Rules (11 July)

The streamlined UK Listing Rules, applicable from 29 July:

- remove “premium” and “standard” listing segments creating a single “Commercial Company Category” for equity shares;
- require timely disclosure to investors on the most material decisions and transactions meeting the 25% threshold;
- no longer require shareholder votes on significant and related party transactions; and
- are more open to dual class share structures.

PRA [CP11/24](#) on expectations of firms’ booking arrangements (30 July)

The PRA proposes more granular principles on desk structures, which focus on risk management and front office controls. Acceptable characteristics for “split desks” are proposed, and the PRA has set new notification expectations for material booking model changes. The scope of booking arrangement expectations would also extend to “UK trading banks”. The consultation closes on 30 October 2024, for implementation in Q2 2025.

PRA [CP11/24](#) on branch risk appetite (30 July)

The CP proposes subsidiarisation could be triggered at a new threshold: £300m of total retail and small firm deposits, including non-FSCS deposits. Subsidiarisation could also be triggered where UK-active corporates depend on a branch as their sole transactional banking provider. The PRA would retain discretion to impose requirements on a branch instead of subsidiarisation. Where a branch demonstrates resolvability, it may be able to avoid subsidiarisation.

UPDATED REGULATORY OUTLOOK

Expected regulatory-driven activity for the sector in H2 2024



Business footprint optimisation still in focus

- CRD6 restrictions on TCB cross-border core banking services and EMIR active account requirements are now clear – firms should review existing EU legal entity structures and activities and confirm they align with strategic aims.
- The PRA’s additional/amended subsidiarisation thresholds for TCBs would extend supervisory reach and discretion. Branches may need to reconsider deposit-taking activities and/or enhance monitoring capabilities.
- Flexibility remains within proposed revisions to PRA booking model expectations, but firms will need to demonstrate effective risk management and front office controls in order to gain PRA consent for material changes.

UK accelerated settlement is progressing

- It remains to be seen whether the UK T+1 Technical Group’s September consultation identifies unforeseen obstacles to resolving legal, technical and operational changes in 2025. Despite uncertainties, including a decision on EU alignment (ESMA report due December), the UK government’s “no later than end 2027” remains the base case; firms should allocate CapEx and resource in 2025 plans to ensure readiness.

Spotlight on NBFIs and Counterparty Credit Risk

- Policymakers and supervisors continue to focus on risk management of the broader financial system and the role of banks (e.g. BCBS CCR guidance and admonitions from the PRA on PE financing). Firms should prepare for supervisory focus on improving data aggregation, NBFI-focused risk management policies, and implementing effective controls.



Life insurance

Intense regulatory summer and long implementation winter for life insurers?



Regulatory activity
intensity over the
summer

MAJOR REGULATORY ACTIVITY DURING THE SUMMER BREAK

PRA Solvency UK [speech](#) by Gareth Truran (9 July)

G. Truran emphasised the PRA is considering various options to ensure the objectives of the reforms are achieved in practice, for example through an “MA accelerator”, which could allow firms to self-certify MA asset eligibility before seeking PRA approval. The PRA is actively considering the timing of any further policy development in this area.

PRA [Approach](#) to Life Insurance Stress Test 2025 (10 July)

The [LIST 2025](#) will apply to the largest BPA insurers and will be more complex and prescriptive than previous exercises. For the first time, the PRA will publish individual firm results in Q4 2025. Participants will need to assess the impact of individual results’ disclosure and develop a strategy to manage external messaging.

Firms have until 6 September to submit feedback to the PRA, with the final scenario and calibrations to be published in January 2025.

FCA [Thematic Review](#) on POG for Pure Protection and GI (21 August)

The review highlights widespread shortcomings among product manufacturers and distributors in relation to PROD compliance. Firms should expect quick FCA market interventions as a result, including mandatory remediation measures and product withdrawal requests. For income protection products, the FCA stressed risks of customer harm stemming from firms’ insufficiently granular target market assessment. The FCA plans to launch a [market study into the distribution of pure protection](#) products due to concerns over products value, commission arrangements and competition.

PRA [SS5/24](#) and [Dear CEO Letter](#) on Funded Reinsurance (26 July)

The PRA published its FundedRe rules which took immediate effect and apply to all life insurers entering or holding FundedRe arrangements (mainly BPA insurers). Requirements include: setting internal investment limits to single counterparties, calculating an immediate recapture metric, developing collateral policies and establishing a recapture plan.

Insurers will need to submit an extensive self-assessment of how current risk management practices compare against the new rules by 31 October 2024. The self-assessment should be accompanied by an independent opinion from the risk function.

FCA [CP24/16](#) on a VFM framework for workplace DC pension schemes (8 August)

The FCA consulted on a VFM framework to improve value in default funds provided by DC pension schemes. The proposals include new extensive disclosure requirements and mandatory publication of an annual assessment alongside the scheme’s RAG value rating. Low value arrangements (amber or red rated) will have to be closed to new members, or members will have to be transferred to a better value arrangement. This could drive significant arrangement consolidation when enacted.

The CP closes on 17 October 2024.

UPDATED REGULATORY OUTLOOK

Expected regulatory-driven activity for the sector in H2 2024

Quiet

Intense

UK BPA insurers have a busy year ahead

- BPA insurers are bracing for intense activity ahead of implementing **Solvency UK reforms**, **MA attestation**, **FundedRe rules** and preparing for the **LIST 2025**. Actuarial and finance teams will be challenged by the volume and complexity of activity.
- In addition, the PRA will develop **liquidity reporting** requirements over the coming year for a subset of firms, whilst also finalising expectations around **solvent exit**.
- The upcoming **UK Pension Review and Bill** ([more here](#)) may lead to material regulatory and market developments for Defined Contribution players. Firms with a mature Defined Contribution growth strategy will be well placed to capture opportunities from expected consolidation in the sector.

An eye on retail conduct regulatory developments

- The FCA is expected to scrutinise Consumer Duty **board reports** in the next few months and take follow up action. Insurers should prioritise addressing data gaps and fair value in their [closed products portfolios](#).
- We expect FCA to progress on the **Advice/Guidance boundary review** where the targeted support model could create material opportunities for insurers to get closer to the boundary in the pensions market.
- EU supervisors’ focus remains on **VFM**, for IBIPS, although supervisors will gradually start looking at other products.



General insurance

Improving customer outcomes whilst tackling new risks



Regulatory activity
intensity over the
summer

UPDATED REGULATORY OUTLOOK

Expected regulatory-driven activity for the sector in H2 2024



MAJOR REGULATORY ACTIVITY DURING THE SUMMER BREAK

PRA [approach](#) to Dynamic GI stress test 25 (15 July)

The new DyGIST, which will apply to 80% of the GI market, will take the form of a new type of “live” exercise, taking place over three weeks in May 2025. Participants will not know the scenarios in advance. This means that firms with less regulatory-led stress testing experience (e.g., the in-scope branches) will need to start early to develop possible scenarios and risk management capabilities to prepare for the exercise. Participants could conduct trial runs before the real test to identify areas for improvement. Results will be published at an aggregate level only in Q4 2025.

FCA [Review](#) on PROD for GI and Pure protection (21 August)

The FCA has identified many issues in relation to product manufacturers’ and distributors’ compliance with PROD rules. The FCA’s recently published 2023 [GI Value Measures data](#) provides insight into low value products. FCA will take action to address these issues by issuing mandatory remediation and product withdrawal requests. Findings relevant to GI include major governance weaknesses, especially for add-on products. Firms are expected to adjust their product features or withdraw them from the market to align with good practices and provide fair value.

We also understand the FCA is following up on its [review of outcomes monitoring](#) in the insurance and broking industry with many individual firms. Firms are being challenged about the effectiveness of their data frameworks and outcomes monitoring.

FCA [DP 24/1](#) on the review of the rules in the commercial insurance sector (29 July)

The FCA is proposing to make the regulation of commercial insurance more proportionate. Proposals include: changes to the definition of small and medium enterprise to clarify the consumer protections they receive; clarifying who is responsible for PROD rules when a product is co-manufactured; and developing ways to improve the workability of the bespoke product exclusions from PROD.

Firms interested in responding will have to provide significant data on the financial impact of the different options, the number of customers involved as well as the advantages and disadvantages for these customers by 16 September. Any changes will be subject to formal consultation in early 2025.

EIOPA [Consultation](#) on technical advice for the implementation of the proportionality framework under the Solvency II review (2 August)

EIOPA is proposing to expand SII reform proportionality measures (through use of waivers granted by individual NCAs) to insurers that do not meet the small and non-complex definition. This means that a greater number of firms may be able to apply for a reduction of certain regulatory requirements, although the criteria for doing so will likely be strict.

The consultation will close on 25 October 2024.

The Consumer Duty: an ever-rising bar?

- The FCA will complete its review of GI **pricing practices** in the coming months as well as its review of Consumer Duty **board reports**, opening up further questions on **pricing**.
- Firms should also prepare for regulatory challenge around their **claims handling** processes and treatment of **vulnerable customers** following the upcoming FCA review of claims handling, and the recent [Which campaign](#) on the matter.

New risks are on the horizon

- There is a wide range of possible DyGIST scenarios reflecting the continued challenges around **exposure management**. With heightened geopolitical, cyber and [climate-related risks](#), and remaining macroeconomic pressures, the potential for the inclusion of unexpected losses and **silent exposures** is high. GI firms could look to previous stress test exercises (e.g., EIOPA’s [geopolitical one](#)) to prepare for the DyGIST and manage their exposures.

Evolving expectations in several areas

- In the UK, the PRA is implementing Solvency UK reforms to remove branch capital requirements and revise its supervisory approach to **branches**, while EU regulators are scrutinising EU branch governance. We expect cross-border groups to want to revisit their post-Brexit structure in the coming months.
- The PRA will also finalise its **solvent exit** rules before year end, requiring most insurers to produce a solvent exit analysis. For some firms, this will be a material undertaking.



Investment management & wealth

An omnibus of regulatory priorities – value stands out as key



Regulatory activity
intensity over the
summer

MAJOR REGULATORY ACTIVITY DURING THE SUMMER BREAK

FCA - [PS 24/7](#) Implementing the OFR (17 July)

The FCA has published its final rules for the application and recognition of EEA UCITS. The Policy Statement makes a few amendments to the proposed requirements e.g. the requirement to notify the FCA of fund changes is now “as soon as reasonably practical” rather than 30 days in advance, which will be more practical for firms. The FCA also highlights the impact on existing UK customers if a fund does not apply for recognition under the OFR e.g. loss of ISA eligibility – an issue which distributors will need to track. Landing slots will open on 30 September 2024 so both manufacturers and distributors will need to be prepared.

ESMA consultations on [Guidelines](#) on LMTs of UCITS and open-ended AIFs and [Draft RTS](#) on LMTs under the AIFMD and UCITS Directive (8 July)

The draft RTS specify the characteristics of liquidity management tools to ensure clarity for firms. The draft guidelines set out expectations of how firms should select and calibrate LMTs – for example they specify that managers should consider selecting at least one quantitative-based LMT and one anti-dilution tool. They also take forward IOSCO’s view that, for anti-dilution tools, the estimated cost of liquidity should include both explicit and implicit transaction costs. The consultations close on 8 October 2024.

FCA [CP24/16](#) on a VFM framework for workplace DC pension schemes (8 August)

The FCA consulted on requirements for workplace DC default schemes to improve the value delivered to savers. The proposals include numerous metrics that schemes will need to disclose and a mandatory annual VFM assessment. Investment managers providing services to these funds are likely to receive data requests and need to justify the value they provide. The consultation closes on 17 October 2024.

FCA Consumer Duty “1 year on” [webinar](#) (31 July)

In Duty implementation, the FCA urged firms to instil a culture of continuous improvement, take a holistic approach across the four outcomes, use solid benchmarking and credible evidence for value assessments, and review their outcomes testing processes in light of the FCA’s feedback (the findings in its [insurance outcomes monitoring multi-firm review](#) are relevant to all sectors).

The FCA has also [called for inputs](#) on how it could simplify its Handbook to improve synergy with the Duty principles.

FCA [Multi-firm review](#) and [Guidance Consultation](#) on the treatment of Politically Exposed Persons (18 July)

Most firms reviewed did not impose excessive or disproportionate checks on PEPs but there were areas for improvement. In our view, given heightened geopolitical tensions and more sanctions on PEPs, wealth managers need to ensure that their processes are both effective and proportionate. The consultation closes on 18 October 2024.

UPDATED REGULATORY OUTLOOK

Expected regulatory-driven activity for the sector in H2 2024



Value and vulnerability are under the microscope

- Firms need to do more work on **fair value** and the FCA is reviewing products and services provided to unit-linked funds.
- The FCA is expected to feed back on its review of **vulnerable customers** later this year. Firms may need to improve identification processes and clarity of marketing documents.
- We expect the FCA to review Board reports in the coming months – firms should be ready to respond to its feedback.

Sustainability - bottlenecks hinder progress*

- The **anti-greenwashing** rule is now live, but firms need to continue assessing scope and exact use of images and words
- Most firms did not target the July 2024 date for SDR labels and are aiming for December 2024 instead. Most applications have not yet been approved by FCA, creating a backlog which may result in many firms being uncertain in December 2024 about whether they can use labels.
- The FCA proposed extending the SDR to wealth managers – firms are currently considering the costs against the benefits.
- HMT is due to consult on extending the SDR to overseas funds – firms already subject to SFDR may face additional costs.

Supervisory scrutiny of liquidity won’t dry up

- **Fund liquidity** – including metrics, escalation triggers, LMTs and stress tests – continues to be a focus for supervisors.
- Firms in scope of the revised UCITS and AIFMD rules will need to implement detailed policies, procedures and operational arrangements for the use of each LMT and have robust models to estimate market impact costs.

* Further updates are on the [sustainable finance slide](#)

Innovation & payments

A busy year so far, and about to get much busier



Regulatory activity
intensity over the
summer

Warm

MAJOR REGULATORY ACTIVITY DURING THE SUMMER BREAK

BoE [discussion paper](#) on its future approach to innovation in money and payments (30 July)

The BoE is exploring the role of tokenisation and DLT in wholesale payments. While cautious about shifting wholesale settlement from central bank money to private assets like stablecoins, the BoE plans to launch a wholesale CBDC pilot programme by February 2025 to inform its approach. The programme will test the instant settlement of tokenised securities using central bank money. The BoE also emphasised the need for close collaboration with HMT, the FCA and the PSR to ensure an innovative, stable and resilient retail payments ecosystem and infrastructure.

ESAs multiple publications under MiCAR (12 – 31 July)

As MiCAR implementation deadlines approach, technical and regulatory details for crypto firms continue to emerge.

ESMA [emphasised](#) that it will focus on firms' structures and activities during authorisations. Its particular concern is global firms seeking limited EU licences, especially for brokerage services, while operating trading venues outside the EU. Citing consumer protection and competition risks, ESMA clarified the application of key requirements for these firms, including soliciting EU clients, conflicts of interest, and best execution.

Finally, the ESAs published [draft guidelines](#) to support EU supervisors and firms in developing a harmonised approach to classifying cryptoassets under MiCAR.

PSR multiple publications on APP scams rules (12 July – 1 August)

Ahead of the 7 October implementation deadline for its APP scams rules, the PSR issued additional [draft guidance](#) to help PSPs to distinguish eligible reimbursement claims from private civil (non-fraudulent) disputes. The PSR also [confirmed](#) PSPs' registration and data reporting requirements to Pay.UK to enable oversight of FPS reimbursement rules compliance. It also published updated [guidance](#) on PSPs' publication of APP scams data and [information](#) on communicating consumer rights. Finally, it [outlined](#) its approach to granting compliance extensions or exemptions for firms in limited circumstances.

AI Office multiple publications on GPAI Code of Practice (30 July)

The EU AI Office sought [applications](#) from relevant stakeholders, including downstream users such as FS firms, to help draft a GPAI Code of Practice by April 2025. GPAI providers will be able to rely on the Code to demonstrate compliance with the AI Act, which entered into force on 1 August. A separate [multi-stakeholder consultation](#) on trustworthy GPAI models, closing on 18 September, will also inform the Code's development.

FCA/PSR [Call for Input](#) on Big Tech and Digital Wallets (15 July)

The FCA and PSR are examining the impact of widespread adoption of Big Tech-provided digital wallets on consumers and businesses. Focus areas include the implications for A2A payments, competition, market integrity, and the regulatory perimeter. The regulators plan to publish findings in Q1 2025 and share insights with the CMA, given its digital markets role.

UPDATED REGULATORY OUTLOOK

Expected regulatory-driven activity for the sector in H2 2024



Retail payments regulation: no respite in sight

- As anticipated, EU firms are focused on implementing **instant payments rules** and assessing the impact of PSD3/PSR negotiations. UK firms face the immediate priority and challenge of implementing **new APP scams rules** by October.
- New UK rules for **stablecoins and safeguarding** are delayed but still expected by the end of 2024, alongside a long-awaited **National Payments Vision** outlining the Government's strategy and priorities for the UK payment sector.

Digital Assets: slower progress than expected (for now)

- The establishment of the UK **digital securities sandbox** is taking longer than anticipated, but its launch is still expected by year end. Meanwhile the uptake of the **EU DLT pilot** – which is very different in scope and ambition relative to the proposed UK sandbox – remains low.
- Separately, details and timings for the UK framework for **unbacked digital assets** are yet to emerge. In the EU, firms must focus on MiCAR authorisations as deadlines approach.

AI regulation: implementation takes centre stage

- The **EU AI Act** implementation is underway, with many multinational firms considering adopting it globally. However, key **secondary legislation** and **standards** to finalise implementation plans will only emerge in late 2024 or 2025.
- The UK will complement its **principles-based framework for AI regulation** with new rules for GPAI providers, with specifics expected in a Q3/Q4 consultation. Despite expectations, the BoE and FCA have not communicated formal plans / timings for **additional guidance** on implementing the framework.

Sustainable finance

Few new developments, but firms already have plenty of work underway



MAJOR REGULATORY ACTIVITY DURING THE SUMMER BREAK

EU Commission’s [FAQs](#) on corporate sustainability reporting (7 August)

The FAQs from the Commission aim to make the reporting framework more usable for firms and to reduce the administrative burden. More broadly, [political guidelines](#) published by U. Von der Leyen, President of the EU Commission, for the new EU Parliament (18 July) continue the focus of the Commission on reducing administration burdens and reporting requirements. That said, none of the steps taken, or proposed, fundamentally changes the nature of the requirements firms face.

ESMA, EFRAG guidance on application of reporting standards and emerging best practices (5 and 25 July)

ESMA’s final report on [Guidelines on Enforcement of Sustainability Information](#) and [public statement](#) on first application of the ESRS offer guidance for authorities on the supervision of reporting by listed companies. The reports also target large listed companies directly, helping them prepare for their first CSRD reports in 2025. Entities reporting from 2026 could also benefit from the insights.

In addition, a [report](#) from EFRAG reflects on emerging practices from the early stages of firms’ implementation of ESRS, including materiality assessment, gap analysis and datapoints, value chain, reporting and organisational approach.

FCA CP [24/12](#) on reforms to Prospectus rules (26 July)

The FCA has proposed that equity issuers supplement existing minimum disclosures with additional climate-related disclosures on material risks and opportunities. Debt issuers would be required to disclose whether the debt instruments have been marketed as “green”, “social” or “sustainable”, or issued under a bond framework or a similar document. These proposals emphasise how climate reporting requirements will broaden beyond corporate reporting and products, and underscore the benefit to firms of setting an organisation-wide ESG data strategy.

IAIS [consultation](#) on climate risk supervisory guidance (15 July)

The IAIS published its fourth and final consultation on climate risk, seeking input on considerations related to relevant supervisory reporting and public disclosure regimes. It also published draft supporting material on climate macro-prudential and group supervisory issues. An IAIS report on the four consultations will be published by end-2024.

UK Government legislation on ESG ratings (8 August)

The UK Government [announced](#) plans for new legislation next year to regulate ESG ratings providers, with the FCA then to set the rules for the new regime. Mirroring the proposal in the EU, the new rules are expected to require disclosure of methodologies, and potentially also conflicts of interest.

UPDATED REGULATORY OUTLOOK

Expected regulatory-driven activity for the sector in H2 2024



Political posture

- Following EU and UK elections, we have so far only seen initial indications of how legislators will recalibrate the sustainability transition. Broader **policy reforms** such as efforts to unlock pension savings for infrastructure investment may have greater implications for FS firms than new regulations.

Corporate sustainability reporting

- EU corporate sustainability disclosures remain the immediate regulatory-driven priority for many firms. Standard setters are working to add clarifications to requirements to ease the burden of implementation, although it looks as if the standards themselves will remain fundamentally unchanged. We expect the UK to publish **UK-endorsed ISSB standards** by Q1 2025.

Managing climate-related risk

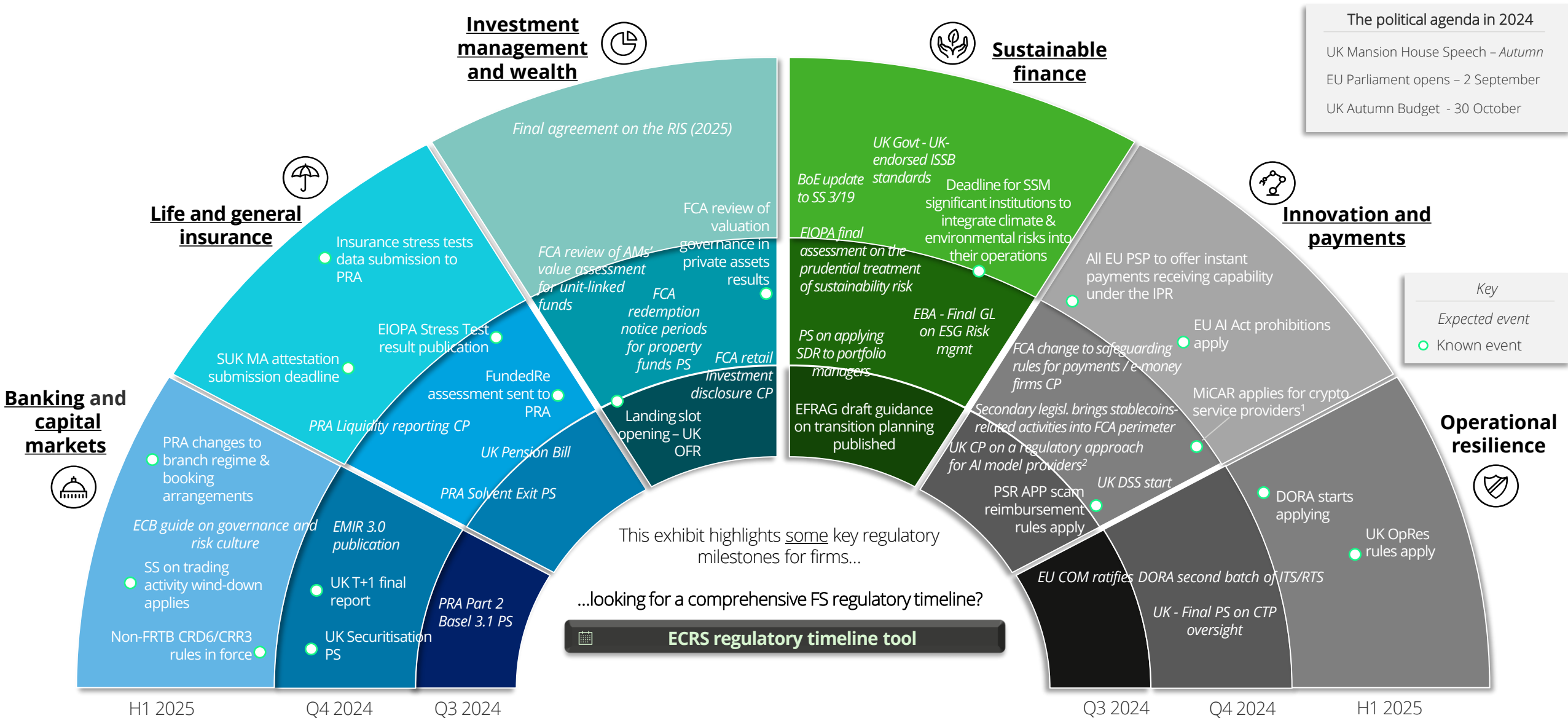
- Supervisors continue to develop their expectations of how firms manage **climate-related financial risks** and greenwashing risk. That said, there has been no change in the direction of travel of requirements. We do not expect **forthcoming updated guidance** (SS 3/19) from the BoE to differ in this regard, but rather to consolidate existing practice. A key outstanding question is when supervisors (in particular, other than for prudential banking) will become more active in assessing compliance.

Green Finance and the transition

- Planned recommendations from the TFMR and IOSCO, and discussions at COP will further increase attention on transition finance.

Key events over the coming months

A subset of milestones for each sector



Our perspectives

Read our insights published over the summer



Banking and Capital Markets

Fixing the foundations: building risk culture and governance block-by-block

PRA update to branch supervision and expectations for booking arrangements

Snakes and (escalation) ladders: the ECB's new SREP is coming

Strengthening banks' CCR management to meet supervisory expectations



Investment and Asset Management

The nexus between Consumer Duty and SDR...and how to tackle it



Life and General Insurance

A year of change for insurance stress tests

Identifying General insurance products in the Duty spotlight

Designing retirement products that meet the needs of customers

Key findings from the FCA's Multi-firm Review in the Insurance sector



Operational Resilience and Innovation

Navigating the EU's and UK's new CTP regulatory frameworks

The EU AI Act: the finish line is in sight

Have you heard of our podcast: Regulated Radio?

Looking for **digestible insights on the impact of regulation**? In our **monthly podcast series**, Deloitte's experts talk you through the key public policy developments shaping financial services, digital markets and other industries. So get ready to listen and level up on regulation!



Our summer playlist

[The CSRD key priorities for financial services firms](#)

[Consumer Duty What's Next? 2024 and beyond \(w/ ABI's C. Wightwick\)](#)



Contacts

Get in touch with our sector leads

ECRS Leadership



Suchitra Nair
Partner, Head of
the ECRS



David Strachan
ECRS Regulatory
Strategy Advisor

Banking and Capital Markets



Rod Hardcastle
Director, BCM
Lead



Liam Girvan
Associate Director,
Retail & Commercial
Banking



Margarita Streltses
Senior Manager,
Capital Markets



Alex Spooner
Manager, Retail
& Commercial
Banking

Life and General Insurance



Kareline Daguer
Director, Insurance
& Retail Conduct
Lead

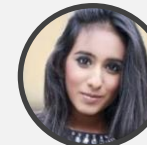


Linda Hedqvist
Senior Manager

Investment and Wealth Management



Joy Kershaw
Associate Director,
IWM Lead



Isha Gupta
Manager

Innovation and Payments



Valeria Gallo
Senior Manager,
Innovation Lead



Ben Thornhill
Manager, Digital
Assets

Sustainable Finance



Simon Brennan
Director,
Sustainability
Lead



Rosalind Fergusson
Senior Manager



Melanie Purdie
Manager

Glossary

A2A

Account-to-Account

AI

Artificial Intelligence

AIF

Alternative Investment Fund

AIFMD

Alternative Investment Fund Managers Directive

APP

Authorised Push Payment

ATM

Automated teller machine

BCBS

Basel Committee on Banking Supervision

BCM

Banking and Capital Markets

BNPL

Buy Now Pay Later

BoE

Bank of England

BPA

Bulk Purchase Annuities

CBDC

Central Bank Digital Currency

CCR

Counterparty Credit Risk

CEO

Chief Executive Officer

CMA

Competition and Markets Authority

CMDI

Crisis Management and Deposit Insurance

CMU

Capital Markets Union

COP

Conference of the Parties

CP

Consultation paper

CRD

Capital Requirements Directive

CRR

Capital Requirements Regulation

CSRD

Corporate Sustainability Reporting Directive

CTP

Critical Third Parties

D&I

Diversity and Inclusion

DC

Defined Contributions

DLT

Distributed Ledger Technology

DORA

Digital Operational Resilience Act

DSS

Digital Securities Sandbox

DyGIST

Dynamic General Insurance Stress Test

EBA

European Banking Authority

ECB

European Central Bank

ECRS

EMEA Centre for Regulatory Strategy

EDIS

European Deposit Insurance Scheme

EFRAG

European Financial Reporting Advisory Group

EIOPA

EU Insurance & Occupational Pensions Authority

EMIR

European Market Infrastructure Regulation

EP

EU Parliament

EPP

European People's Party

ESG

Environmental, Social and Governance

ESMA

European Securities and Markets Authority

ESRS

European Sustainability Reporting Standards

EU

European Union

FAQ

Frequently Asked Questions

FCA

Financial Conduct Authority

FiDA

Financial Data Access

FOS

Financial Ombudsman

FPS

Faster Payment System

FRTB

Fundamental Review of the Trading Book

FS

Financial Services

FSCS

Financial Services Compensation Scheme

FundedRe

Funded Reinsurance

GI

General Insurance

GLESI

Guidelines on Enforcement of Sustainability Information

GPAI

General Purpose AI

HMT

His Majesty's Treasury



Glossary

IAIS
International Association of Insurance Supervisors

IBIPs
Investment-Based Insurance Products

ICAAP
Internal Capital Adequacy Assessment Process

ID
Identity

IFRS
International Financial Reporting Standards

ILAAP
Internal Liquidity Adequacy Assessment Process

IM&W
Investment and Wealth Management

IMA
Internal Model Approach

IOSCO
Int'l Organization of Securities Commissions

ISA
Investment Saving Account

IT
Information Technology

ITS
Implementing Technical Standards

LIST
Life Insurance Stress Test

LMT
Liquidity Monitoring Tools

LoD
Lines of defence

MA
Matching Adjustment

MiCAR
Markets in Crypto Assets Regulation

NBFI
Non-Bank Financial Institution

NCA
EU National Competent Authority

OFR
Oversead Fund Regime

ORSA
Own Risk and Solvency Assessment

OTC
Over the Counter

PE
Private equity

PEP
Politically Exposed Person

POATR
Public Offers and Admissions to Trading Regulations regime

POG
Product Oversight Governance

PRA
Prudential Regulation Authority

PROD
FCA Product Intervention and Product Governance rules

PS
Policy Statement

PSD
Payment Services Directive

PSP
Payment Service Providers

PSR
Payment Systems Regulator (UK context) or Payment Service Regulation (EU)

RAG
Red / Amber / Green

RIS
Retail Investment Strategy

RTS
Regulatory Technical Standards

S&D
Socialists and Democrats

SA
Standardised Approach

SDR
Sustainability Disclosure Requirements

SFDR
Sustainable Finance Disclosures Regulation

SIU
Savings and Investment Union

SREP
Supervisory Review and Evaluation Process

SS
Supervisory Statement

TCB
Third Country Branches

TFMR
Transition Finance Market Review

UCITS
Undertaking for Collective Investment in Transferable Securities

VFM
Value for Money

Colour coding for links

- [Link](#) External link to a primary regulatory development source
- [Link](#) External link to a secondary regulatory development source
- [Link](#) Internal link in this document



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